



POSTAL REGULATORY COMMISSION

39 CFR part 3050

[Docket No. RM2023-4; Order No. 6441]

Periodic Reporting

AGENCY: Postal Regulatory Commission.

ACTION: Notice of proposed rulemaking.

SUMMARY: The Commission is acknowledging a recent filing requesting the Commission initiate a rulemaking proceeding to consider changes to analytical principles relating to periodic reports (Proposal One). This document informs the public of the filing, invites public comment, and takes other administrative steps.

DATES: *Comments are due:* March 10, 2023.

ADDRESSES: Submit comments electronically via the Commission's Filing Online system at <https://www.prc.gov>. Those who cannot submit comments electronically should contact the person identified in the **FOR FURTHER**

INFORMATION CONTACT section by telephone for advice on filing alternatives.

FOR FURTHER INFORMATION CONTACT: David A. Trissell, General Counsel, at 202-789-6820.

SUPPLEMENTARY INFORMATION:

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I. Introduction

On February 10, 2023, the Postal Service filed a petition pursuant to 39 CFR 3050.11 requesting that the Commission initiate a rulemaking proceeding to

consider changes to analytical principles relating to periodic reports.¹ The Petition identifies the proposed analytical changes filed in this docket as Proposal One.

II. Proposal One

Background. In FY 2017, the Postal Service proposed to improve the methodology used to calculate workshare discount passthrough percentages for certain USPS Marketing Mail pieces.² The Commission approved Proposal Seven, which is the current methodology for calculating dropship workshare discounts for those USPS Marketing Mail pieces:

$$\frac{((\text{Pound discount} * \text{Pounds above breakpoint}) + (\text{Piece discount} * \text{Pieces below breakpoint}))}{(\text{Avoided cost per pound} * \text{Pounds above and below breakpoint})^3}$$

The Postal Service explains that calculating dropship passthrough percentages for some flat-shaped USPS Marketing Mail pieces is different than for most other products because these USPS Marketing Mail pieces have two available rates: (1) a per-piece rate for pieces up to a 4-ounce breakpoint weight and (2) a combined rate, per piece and per pound, for pieces heavier than the 4-ounce breakpoint weight. Petition at 2-3.

According to the Postal Service, in most cases, it “can simply take the unit

¹ Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), February 10, 2023 (Petition).

² Docket No. RM2017-11, Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Seven), July 28, 2017.

³ Docket No. RM2017-11, Order on Analytical Principles Used in Periodic Reporting (Proposal Seven), November 20, 2017, at 4, 8 (Order No. 4227). Subsequently, the Commission approved a slight modification to the calculation and reporting of passthroughs for USPS Marketing Mail. Docket No. RM2021-6, Order on Analytical Principles Used in Periodic Reporting (Proposal Three), November 4, 2021 (Order No. 6032).

discount from the published benchmark price given on the relevant pricing table . . . and divide by the avoided cost.” *Id.* at 3. In the case of these flat-shaped USPS Marketing Mail pieces, however, the Postal Service asserts that this approach is insufficient because the benchmark price depends on the weight of the piece. *Id.* at 3-4.

Proposal. The Postal Service explains that in its next notice of rate adjustment for Market Dominant products, it intends to revise its pricing for flat-shaped USPS Marketing Mail pieces with piece and pound price components by using pricing structure “based primarily upon pieces” rather than one based upon pounds. *Id.* at 7. The Postal Service states that, under this revision, every piece, regardless of weight, will pay a fixed per-piece price that will vary based on entry. *Id.* The Postal Service also explains that pieces heavier than the breakpoint will pay a per-pound price for pounds above the breakpoint. *Id.* at 7-8. Moreover, all dropship discounts will be “piece-price based[,]” and pound prices will not vary by dropship entry point. *Id.* at 8. The Postal Service asserts that “[b]y replacing this price structure with the new structure based upon pieces rather than pounds, workshare discount passthrough percentages cannot vary with the different weights of the pieces mailed because passthrough percentages will be calculated independently of the volumes and weights of pieces mailed.” *Id.* at 10. Therefore, according to the Postal Service, “the new pricing paradigm removes the underlying cause of the problem where it was difficult, and sometimes impossible, for the Postal Service to make passthrough percentages for some flat-shaped [USPS] Marketing Mail pieces comply” with 39 CFR 3030.283 and 3030.284. *Id.*

Impact. The Postal Service asserts that its proposal “will allow the Postal Service to retire the current methodology for calculating workshare discount

passthrough percentages at issue here and use the same methodology as it uses for most other products, dividing the per-piece discount by the per-piece cost avoidance” *Id.* at 8.

III. Notice and Comment

The Commission establishes Docket No. RM2023-4 for consideration of matters raised by the Petition. More information on the Petition may be accessed via the Commission’s website at <https://www.prc.gov>. Interested persons may submit comments on the Petition and Proposal One no later than March 10, 2023. Pursuant to 39 U.S.C. 505, Christopher C. Mohr is designated as an officer of the Commission (Public Representative) to represent the interests of the general public in this proceeding.

IV. Ordering Paragraphs

It is ordered:

1. The Commission establishes Docket No. RM2023-4 for consideration of the matters raised by the Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal One), filed February 10, 2023.

2. Comments by interested persons in this proceeding are due no later than March 10, 2023.

3. Pursuant to 39 U.S.C. 505, the Commission appoints Christopher C. Mohr to serve as an officer of the Commission (Public Representative) to represent the interests of the general public in this docket.

4. The Secretary shall arrange for publication of this order in the **Federal Register**.

By the Commission.

Erica A. Barker,

Secretary.

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